



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

October 4, 2006

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending August 31, 2006. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mary A. Lannoye", written over a light blue horizontal line.

Mary A. Lannoye
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Craig DeRoche, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Fulton Sheen, House Tax Policy Committee
John Burchett, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2006
Projected Revenues and Expenditures
August 31, 2006
(\$ in millions)

	FISCAL 2006
Beginning Balance, October 1, 2005	\$ 220.5
Revenues, Current Law:	
Current Year GF/GP Revenues, May 2006 Consensus Estimate	\$ 8,281.7
Adjustments to Consensus Baseline	
Additional Revenue Adjustments:	
Revenue Sharing Freeze (PA 196 of 2005 and May 2006 Consensus)	\$ 350.6
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 192.4
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
Financial Institutions Fund Revenue Deposit to GF	\$ 15.0
Interest Earnings - Tobacco Securitization (PA 226 of 2005)	\$ 7.0
Agriculture Equine Industry Development Fund Revenue Deposit to GF (PA 42 of 2006)	\$ 2.0
Remonumentation Fund Revenue Deposit to GF (PA 76 of 2006)	\$ 15.0
Land Sales (including PA 179 of 2006)	\$ 47.0
Subtotal Additional Revenue Adjustments	\$ 639.0
Total FY Resources Available For Expenditure GF/GP	\$ 9,141.2
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 8,975.7
Enacted Supplemental (PA 226 of 2005)	\$ 1.0
Enacted Supplemental (PA 297 of 2005)	\$ 4.9
Enacted Supplemental (PA 153 of 2006)	\$ 22.2
Enacted Supplemental (PA 345 of 2006)	\$ 52.8
Anticipated Expenditure Adjustments:	
Projected Appropriation Lapses	\$ (25.0)
Total Expenditures Projected	\$ 9,031.6
Projected Ending Balance, September 30, 2006	\$ 109.6

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2006 Projected Revenues and Expenditures August 31, 2006 (\$ in millions)

	FISCAL 2006
Beginning Balance, October 1, 2005	\$ 93.7
Current Year School Aid Fund Revenues, May 2006 Consensus	\$ 11,198.0
Adjustments to Consensus Baseline	
FY04 Audit Receivables Adjustments	\$ 3.0
Anticipated Miscellaneous Revenue	\$ 1.4
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 11,202.4
School Bond Loan Revolving Fund	\$ 44.5
General Fund Subsidy	\$ 62.7
	\$ 107.2
Federal Aid	\$ 1,392.6
Total Available SAF Resources	\$ 12,795.9
Expenditures	
Enacted Appropriations PA 155 of 2005	\$ 12,757.2
Revised cost estimates	\$ (56.6)
Adjusted Appropriations	\$ 12,700.6
Projected School Aid Fund Ending Balance September 30, 2006	\$ 95.3

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

August 31, 2006

(\$ IN MILLIONS)

FISCAL YEAR 2004-05

FISCAL YEAR 2005-06

August 2005	Yr-to-date 2004-05	Fiscal Yr end SEP 30, 2005	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc August 2006	Exp & Enc Yr-to-date 2005-06
5.4	83.7	93.6	Agriculture	119.2	1.9	6.1	76.4
3.7	50.9	57.4	Attorney General	63.8	2.1	5.2	53.7
24.6	281.7	291.2	Capital Outlay	228.3	49.6	1.2	14.0
1.0	11.6	12.3	Civil Rights	13.2	0.5	1.1	12.0
2.3	22.5	25.3	Civil Service	35.9	0.0	2.8	25.0
144.8	1,909.6	1,909.7	Colleges & Universities	1,868.8	0.7	163.8	1,854.4
692.9	8,985.2	9,808.9	Community Health	10,203.9	284.9	809.3	8,748.4
124.4	1,507.9	1,682.4	Corrections	1,841.3	10.0	145.7	1,622.4
2.7	73.3	78.8	Education	101.1	3.5	4.5	59.3
13.6	159.9	178.5	Environmental Quality	410.5	1.5	13.6	153.8
0.4	4.5	5.0	Executive Office	5.4	0.0	0.3	4.7
4.0	51.2	53.9	History, Arts & Library	53.2	0.6	3.1	45.9
319.6	3,655.4	3,929.5	Human Services	4,423.9	71.8	377.7	3,835.2
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
18.6	194.4	207.0	Judiciary	255.4	0.2	11.9	191.5
56.5	649.6	719.9	Labor & Economic Growth	862.6	96.2	66.8	689.4
11.3	118.2	131.2	Legislature	129.7	0.2	11.9	121.8
11.5	138.1	151.9	Management & Budget	169.8	12.9	10.3	147.4
7.3	92.1	102.6	Military Affairs	111.6	3.9	8.1	97.8
5.3	67.0	74.4	Natural Resources	95.8	3.3	4.8	68.6
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
15.4	190.9	215.3	State	197.4	11.7	19.7	228.1
41.7	381.3	427.4	State Police	550.8	24.7	41.8	421.1
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
234.5	1,469.7	1,528.7	Treasury	1,794.2	53.9	228.1	1,733.3
\$1,741.5	\$20,098.7	\$21,684.9		\$23,535.9	\$634.1	\$1,937.8	\$20,204.2

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2006

August, 2006

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,734.7	3.0	15,737.7
Total state spending from state resources	27,094.4	629.5	27,723.9
Percentage of state spending from state resources paid to local units	58.07%		56.77%
Required payments to local units (48.97%)	13,268.1		13,576.4
Surplus/(deficit)	<u>\$2,466.6</u>		<u>\$2,161.3</u>

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2005 THROUGH AUGUST 31, 2006
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>52</u>
Total Revenues	<u>52</u>

EXPENDITURES

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>52</u>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 52 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
OCTOBER 1, 2005 THROUGH AUGUST 31, 2006
(in thousands)

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	1,948
Other	-
Total miscellaneous	<u>1,948</u>
Total Operating Revenues	<u>1,948</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	1,815
Total other operating expenses	<u>1,815</u>
Total Operating Expenses	<u>1,815</u>
Operating Income (Loss)	<u>133</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	-
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>133</u>
Net Income (Loss)	<u>\$ 133</u> ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
 OCTOBER 1, 2005 THROUGH AUGUST 31, 2006
 (in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>44,354</u>
Total Revenues	<u>44,354</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	2,465
Capital outlay	<u>26,287</u>
Total Expenditures	<u>28,752</u>
Excess of Revenues over (under) Expenditures	<u>15,602</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	123
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,012)</u>
Total Other Financing Sources (Uses)	<u>(9,889)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 5,713 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

REVENUE OVERVIEW

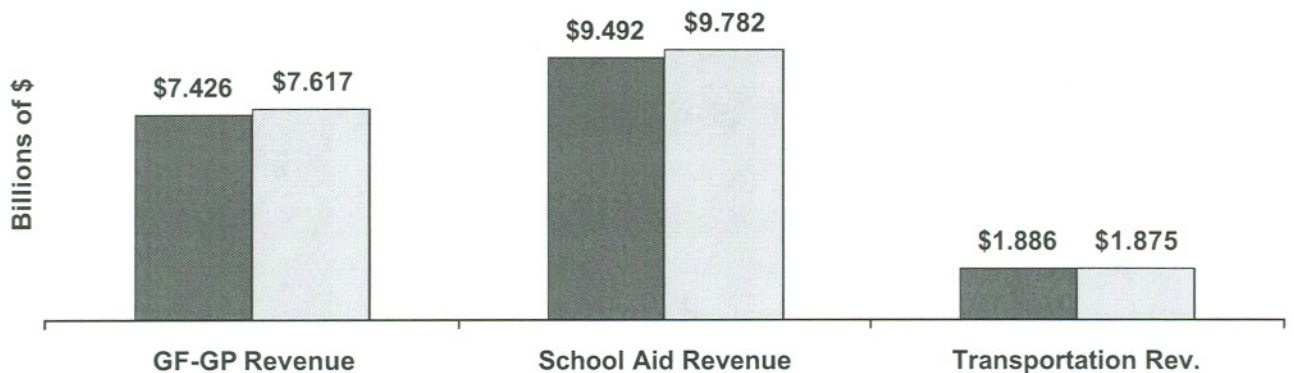
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for August 2006, representing some July and some August economic activity in Michigan.

Total General Fund - General Purpose cash collections were \$126.0 million (16.2 percent) lower in August 2006 than in August 2005. The decrease is due in part to the timing of withholding and single business tax collections. August School Aid Fund cash collections were \$71.9 million (7.9 percent) lower than in August 2005. August transportation collections were \$7.4 million (4.2 percent) lower than in August 2005 (see revenue table). August is the eleventh month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$190.1 million (2.6 percent) from a year ago. School Aid Fund cash collections are up \$290.0 million (3.1 percent), and transportation collections are down \$10.6 million (0.6 percent).

The FY 2005-2006 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 17, 2006. The Consensus estimate for net General Fund - General Purpose revenue for FY 2005-2006 is \$8,281.7 million and the net School Aid revenue forecast is \$11,198.0 million. The Transportation Funds revenue forecast is \$2,238.5 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2007.

October through August Collections Fiscal Years 2004-05 and 2005-06



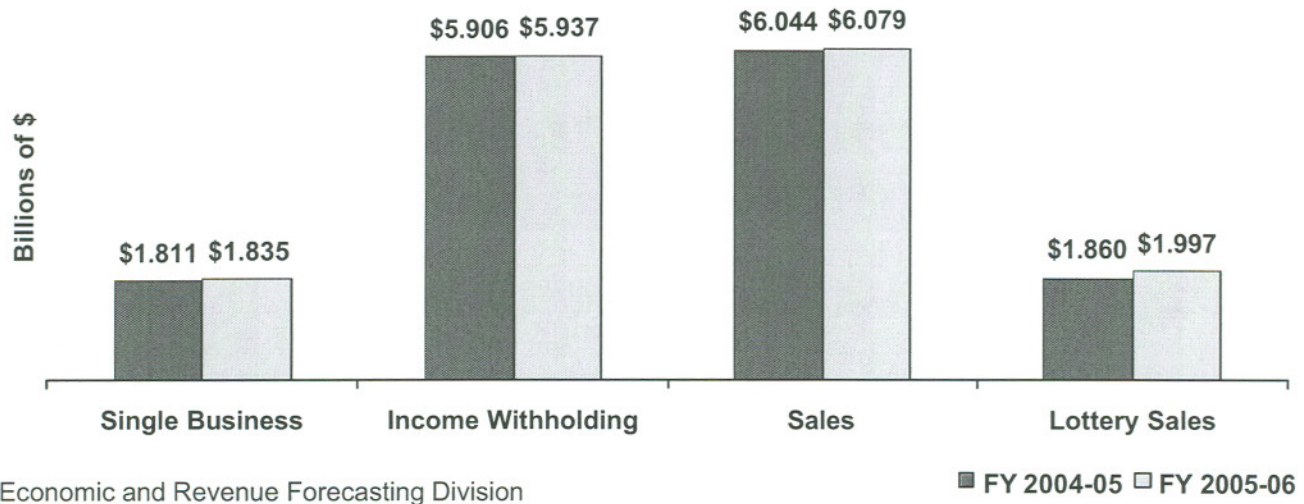
Economic and Revenue Forecasting Division

■ FY 2004-05 □ FY 2005-06

August Revenue Collections Fiscal Years 2004-05 and 2005-06



October through August Collections Fiscal Years 2004-05 and 2005-06



Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA						REVENUE PROJECTIONS			
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006		
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	May 2006		
Totals (e)											Estimate	Consensus	
Income Taxes													
\$528,720	\$481,885	(\$46,835)	-8.9%	Withholding	\$5,905,940	\$5,937,399	\$31,459	0.5%	\$6,427,400	\$6,607,100	\$6,516,600		
9,008	9,391	383	4.3%	Quarterlies	492,032	562,578	70,547	14.3%	643,000	670,100	722,000		
14,498	11,291	(3,207)	-22.1%	Annuals	627,749	681,184	53,435	8.5%	648,600	624,200	695,100		
552,227	502,567	(49,659)	-9.0%	Gross Collections	7,025,721	7,181,162	155,441	2.2%	\$7,719,000	\$7,901,400	\$7,933,700		
29,234	22,585	(6,649)	-22.7%	Less: Refunds	1,629,111	1,614,438	(14,672)	-0.9%	1,610,800	1,725,000	1,679,000		
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500		
522,993	479,983	(43,010)	-8.2%	Net Personal Income	5,396,610	5,566,724	170,114	3.2%	\$6,106,700	\$6,174,900	\$6,253,200		
138,057	130,668	(7,389)	-5.4%	Less: Disbursements to SAF	1,756,430	1,867,102	110,672	6.3%	\$1,985,600	\$2,051,000	\$2,058,800		
\$384,936	\$349,315	(\$35,621)	-9.3%	NET PERSONAL INCOME TO GF-GP	\$3,640,180	\$3,699,622	\$59,442	1.6%	\$4,121,100	\$4,123,900	\$4,194,400		
Consumption Taxes													
\$9,439	\$7,166	(\$2,274)	-24.1%	Sales (a)	\$83,815	\$74,322	(\$9,493)	-11.3%	\$99,200	\$114,700	\$106,200		
88,289	83,055	(5,233)	-5.9%	Use	839,823	855,054	15,231	1.8%	934,700	963,600	941,100		
11,553	20,539	8,986	77.8%	Tobacco	108,486	212,958	104,471	96.3%	116,500	228,100	235,300		
4,776	4,413	(363)	-7.6%	Beer, Wine & Mixed Spirits	46,435	45,975	(461)	-1.0%	51,000	52,500	52,000		
2,700	2,772	72	2.7%	Liquor Specific	27,903	28,896	993	3.6%	33,600	34,000	34,000		
\$116,757	\$117,944	\$1,187	1.0%	TOTAL CONSUMPTION TAXES	\$1,106,463	\$1,217,204	\$110,741	10.0%	\$1,234,900	\$1,392,900	\$1,368,600		
Other Taxes													
\$190,063	\$98,567	(\$91,496)	-48.1%	Single Business	\$1,810,897	\$1,835,372	\$24,475	1.4%	\$1,913,500	\$1,913,800	\$1,852,900		
33,808	29,426	(4,383)	-13.0%	Insurance Premiums Taxes	239,403	225,723	(13,680)	-5.7%	249,500	240,000	235,000		
223,872	127,993	(95,879)	-42.8%	Sub-total SBT & Insurance	2,050,300	2,061,096	10,795	0.5%	2,163,000	2,153,800	2,087,900		
1,915	(79)	(1,994)	na	Inheritance / Estate	29,611	584	(29,027)	-98.0%	101,500	8,000	1,000		
457	4,910	4,453	975.0%	Telephone & Telegraph	98,277	90,489	(7,788)	-7.9%	99,100	81,300	83,000		
3,660	5,704	2,044	55.8%	Oil & Gas Severance	58,496	80,855	22,358	38.2%	66,700	60,000	94,000		
3,619	3,803	184	5.1%	Casino Wagering	39,066	41,357	2,291	5.9%	42,200	43,100	44,100		
12,547	12,731	184	1.5%	Penalties & Interest	106,546	137,521	30,975	29.1%	142,500	108,000	146,700		
374	562	188	50.3%	Miscellaneous Other/Railroad	1,178	1,044	(134)	-11.4%	1,200	0	0		
(6,667)	(7,667)	(1,000)	15.0%	Treasury Enforcement Programs (f)	(73,333)	(81,333)	(8,000)	10.9%	(91,200)	(80,000)	(92,000)		
\$239,777	\$147,958	(\$91,819)	-38.3%	TOTAL OTHER TAXES	\$2,310,141	\$2,331,612	\$21,471	0.9%	\$2,525,000	\$2,374,200	\$2,364,700		
\$741,470	\$615,217	(\$126,253)	-17.0%	SUBTOTAL GF-GP TAXES	\$7,056,784	\$7,248,438	\$191,653	2.7%	\$7,881,000	\$7,891,000	\$7,927,600		

continued

Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA					REVENUE PROJECTIONS			
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006	
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	May 2006	
Totals (e)											Estimate	Consensus
Non-Tax Revenue (f)												
\$2,917	\$2,917	\$0	0.0%	Federal Aid	\$32,083	\$32,083	\$0	0.0%	\$35,700	\$35,000	\$35,000	
167	167	0	0.0%	Local Agencies	1,833	1,833	0	0.0%	300	2,000	2,000	
1,500	1,500	0	0.0%	Services	16,500	16,500	0	0.0%	19,800	18,000	18,000	
4,500	2,833	(1,667)	-37.0%	Licenses & Permits	49,500	36,167	(13,333)	-26.9%	27,400	54,000	34,000	
0	0	0	na	Investments/Interest Costs	(15,871)	(16,369)	(499)	3.1%	(54,400)	(85,000)	(70,000)	
9,433	12,050	2,617	27.7%	Misc. Non-tax Revenue	103,767	127,525	23,758	22.9%	135,100	124,500	144,600	
11,333	11,667	333	2.9%	Liquor Purchase Revolving Fund	124,667	126,833	2,167	1.7%	142,200	134,000	140,000	
5,192	4,208	(983)	-18.9%	From Other Funds-Lottery & Escheats	57,108	43,492	(13,617)	-23.8%	111,700	39,300	50,500	
\$35,042	\$35,342	\$300	0.9%	TOTAL NON-TAX REVENUE	\$369,588	\$368,064	(\$1,524)	-0.4%	\$417,800	\$321,800	\$354,100	
\$776,512	\$650,559	(\$125,953)	-16.2%	TOTAL GF-GP REVENUE	\$7,426,372	\$7,616,502	\$190,130	2.6%	\$8,298,900	\$8,212,900	\$8,281,700	
School Aid Fund												
\$253,477	\$232,415	(\$21,062)	-8.3%	Sales Tax 4%	\$2,463,627	\$2,483,602	\$19,975	0.8%	2,690,000	2,814,800	2,738,800	
200,727	181,790	(18,937)	-9.4%	Sales Tax 2%	1,937,814	1,939,596	1,782	0.1%	2,115,700	2,213,600	2,144,900	
44,144	41,528	(2,617)	-5.9%	Use Tax 2%	419,911	427,527	7,616	1.8%	467,600	481,800	470,500	
121,495	106,603	(14,892)	-12.3%	State Education Property Tax	1,397,947	1,520,141	122,194	8.7%	1,914,500	1,956,900	2,010,000	
27,982	25,791	(2,191)	-7.8%	Real Estate Transfer Tax	286,533	282,907	(3,626)	-1.3%	313,500	316,000	320,000	
60,000	50,000	(10,000)	-16.7%	Lottery Transfer (b)	549,883	580,579	30,697	5.6%	667,600	654,300	708,500	
8,376	8,802	427	5.1%	Casino Wagering Tax	90,409	95,711	5,302	5.9%	97,600	99,700	102,000	
2,633	2,728	94	3.6%	Liquor Excise Tax	27,429	28,554	1,125	4.1%	33,100	34,000	34,000	
46,326	41,696	(4,630)	-10.0%	Cigarette/Tobacco Tax	435,020	432,336	(2,684)	-0.6%	472,700	463,100	473,300	
4,443	13,399	8,956	202.0%	Indus. & Comm. Facilities Taxes	116,825	111,110	(5,715)	-4.9%	138,200	133,000	123,000	
4,599	4,969	370	8.1%	Specific Other	10,459	13,125	2,666	25.5%	13,600	14,800	14,100	
138,057	130,668	(7,389)	-5.4%	Income Tax Earmarking	1,756,430	1,867,102	110,672	6.3%	\$1,985,600	\$2,051,000	\$2,058,800	
\$912,260	\$840,389	(\$71,871)	-7.9%	TOTAL SCHOOL AID FUND	\$9,492,288	\$9,782,291	\$290,004	3.1%	\$10,909,700	\$11,233,100	\$11,198,000	
\$623,189	\$569,148	(\$54,041)	-8.7%	SALES TAX 6%	\$6,043,859	\$6,078,933	\$35,074	0.6%	\$6,599,100	\$6,905,000	\$6,709,600	
422,462	387,358	(35,104)	-8.3%	SALES TAX 4%(d)	4,106,045	4,139,337	33,292	0.8%	4,483,400	4,691,400	4,564,700	
200,727	181,790	(18,937)	-9.4%	SALES TAX 2%	1,937,814	1,939,596	1,782	0.1%	2,115,700	2,213,600	2,144,900	
132,433	124,583	(7,850)	-5.9%	USE TAX 6%	1,259,734	1,282,581	22,847	1.8%	1,402,300	1,445,500	1,411,600	
12,512	13,149	637	5.1%	CASINO WAGERING TAX	135,055	142,976	7,921	5.9%	145,800	149,000	152,400	
114,385	103,209	(11,177)	-9.8%	TOBACCO TAXES	1,074,124	1,070,138	(3,985)	-0.4%	1,179,900	1,145,500	1,179,500	
(0)	0	0	na	TOBACCO SETTLEMENT	274,327	254,616	(19,711)	-7.2%	na	na	na	
(0)	0	0	-100.0%	CIGARETTE INVENTORY TAX	0	0	0	na	na	na	na	

continued

Revenue Summary 2005-06
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA						REVENUE PROJECTIONS			
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006		
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual	Statutory	May 2006		
Totals (e)											Estimate	Consensus	
Major Transportation Revenues													
\$11,342	\$9,609	(\$1,732)	-15.3%	Diesel Fuel / Motor Carrier Fuel Tax (g)	\$133,012	\$135,784	\$2,773	2.1%	\$146,308	\$151,100	\$153,000		
83,372	79,487	(3,885)	-4.7%	Gasoline	843,337	826,219	(17,118)	-2.0%	922,368	942,000	918,000		
68,898	67,822	(1,076)	-1.6%	Motor Vehicle Registration	794,333	801,502	7,169	0.9%	863,367	891,300	892,000		
6,645	4,977	(1,669)	-25.1%	Other Taxes, Fees & Misc.	63,294	46,777	(16,517)	-26.1%	221,060	190,013	207,719		
4,712	5,719	1,007	21.4%	Comprehensive Transportation (c)	51,834	64,950	13,116	25.3%	62,749	76,793	67,751		
\$174,969	\$167,613	(\$7,356)	-4.2%	TOTAL MAJOR TRANS. REVENUES	\$1,885,810	\$1,875,233	(\$10,577)	-0.6%	\$2,215,852	\$2,251,205	\$2,238,470		
Lottery Sales By Games													
48,104	50,784	2,680	5.6%	Instant Games	600,337	643,685	43,347	7.2%	na	na	na		
51,320	53,374	2,054	4.0%	Daily Games	646,331	637,949	(8,382)	-1.3%	na	na	na		
20,612	18,050	(2,562)	-12.4%	Lotto and Big Game	267,398	282,823	15,425	5.8%	na	na	na		
1,054	1,097	43	4.1%	Keno Game	12,172	13,170	999	8.2%	na	na	na		
0	0	0	na	Changeplay Game	0	0	0	na	na	na	na		
27,890	33,543	5,652	20.3%	Club Games	334,219	419,815	85,597	25.6%	na	na	na		
\$148,980	\$156,847	\$7,868	5.3%	TOTAL LOTTERY SALES	\$1,860,456	\$1,997,443	\$136,986	7.4%	na	na	na		

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue items other than interest are estimates.

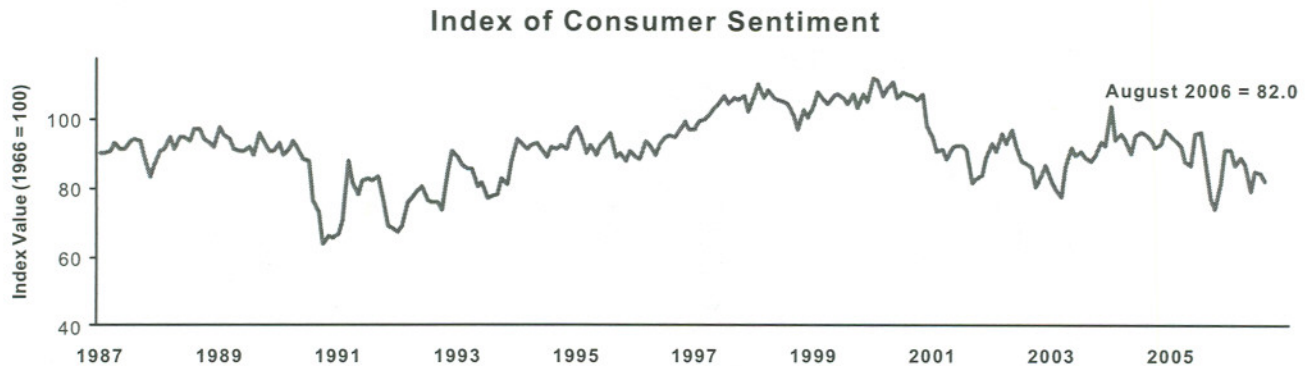
g Starting in January 2005, totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 82.0 in August, 2.7 index-points below the July value and 7.1 index-points below August 2005. On the lower August reading, Survey director Richard Curtin noted, "Although falling gas prices and a lower overall expected inflation rate in late August lessened the loss for the month as a whole, the Sentiment Index has declined since the start of 2006." Curtin observed, "Consumers still anticipate that their personal finances will weaken due to slower job growth, and expected their incomes to increase by less than the inflation rate. Buying attitudes toward homes and vehicles remained quite unfavorable in the August survey, with consumers holding the least favorable home buying plans and the least favorable vehicle buying plans since 1990." Curtin reported, "Consumers are much more concerned about the potential for persistently high and accelerating inflation than about the potential impact of additional increases in interest rates." In August, consumers in one of the four regions reported an increase in confidence. Western consumers reported an increase in confidence of 6.5 index-points. Southern consumers reported the largest decrease in confidence at 6.3 index points followed by Midwestern consumers at 4.2 index-points. Northeastern consumers reported a decrease of 2.4 index-points. The gap across regions increased from last month to 22.4 index-points, with Western consumers on top and Northeastern consumers on the bottom.

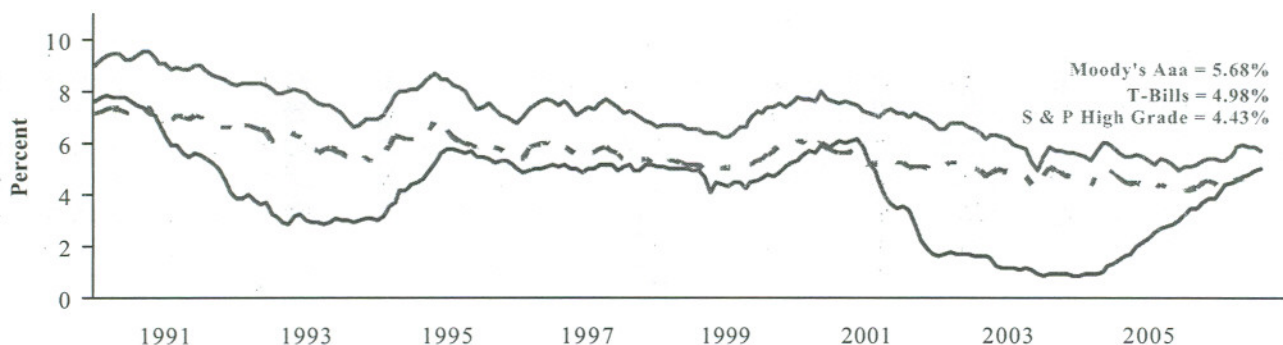
The preliminary estimate of real **Gross Domestic Product** for the second quarter of 2006 is \$11,397.6 billion (chained 2000 dollars), an increase of 2.9 percent at an annual rate. In the first quarter of 2006, real gross domestic product increased 5.6 percent. Personal consumption expenditures for services, private inventory investment, nonresidential structures, exports and state and local government spending led second quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 2.6 percent in the second quarter compared to an increase of 4.8 percent in the first quarter. Real residential fixed investment decreased 9.8 percent in the second quarter compared to a decrease of 0.3 percent in the first quarter. Real nonresidential fixed investment increased 4.7 percent in the second quarter led by increased investment in nonresidential structures of 22.2 percent. Real federal government expenditures decreased 4.3 percent in the second quarter, compared to an increase of 8.8 percent in the first quarter. Real state and local government spending increased 4.2 percent in the second quarter, compared to a 2.7 percent increase in the first quarter. Exports of goods and services increased 5.1 percent in the second quarter, compared to a 14.0 percent increase in the first quarter. Imports increased 0.6 percent in the second quarter

compared to an increase of 9.1 percent in the first quarter. Private inventory investment increased \$58.7 billion in the second quarter, up from a \$41.2 billion increase in the first quarter. Real final sales increased 2.3 percent in the second quarter compared to a 5.6 percent increase in the first quarter. On the inflation front, the **implicit price deflator** increased at a 3.3 percent annual rate in the second quarter the same as observed in the first quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.2 percent in August, down from a 0.4 percent increase in July. Energy increased by 0.3 percent in August; compared to a 2.9 percent increase in July, while the all-items less food and energy component increased 0.2 percent. For the six months since February, the all-items index increased at a 4.7 percent annual rate.

Compared to August 2005, the all-items index increased 3.8 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.5 percent; housing, 4.2 percent; medical care, 4.3 percent; apparel, 0.3 percent; recreation, 1.8 percent; education and communication, 3.3 percent; and other goods and services, 2.3 percent, with tobacco prices up 2.9 percent; transportation 6.1 percent, with gasoline prices up 19.6 percent.

Selected Key Interest Rates

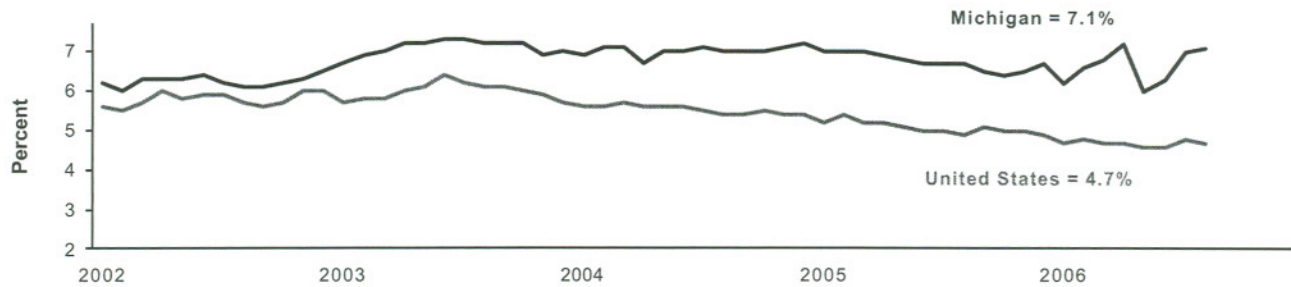


Source: Economic Indicators

Short-term **interest rates** increased 0.02 percentage points in August as the 3-month Treasury bill (T-bill) rate averaged 4.98 percent. Compared to one year ago, the T-bill rate is up 1.53 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, decreased 0.17 percentage points to an interest yield of 5.68 percent in August. Compared to one year ago, the Aaa bond yield is up 0.59 percentage points. The interest rate on High-grade municipal bonds decreased 0.21 percentage points to 4.43 percent in August, and stands 0.22 percentage points above its year ago level. The Federal Open Market Committee (FOMC) kept the federal funds rate unchanged at its September 20th meeting at 5.25 percent. The FOMC stated that, "Readings on core inflation have been elevated in recent months, and the high levels of resource utilization and of the prices of energy and other commodities have the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time." The committee, "judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information."

In August, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 4.7 percent and was down 0.2 percentage points from one year ago. Civilian employment totaled 144.6 million persons in August, up 250 thousand from July. The number of unemployed was 7.1 million nationwide.

Unemployment Rates 2002 - 2006



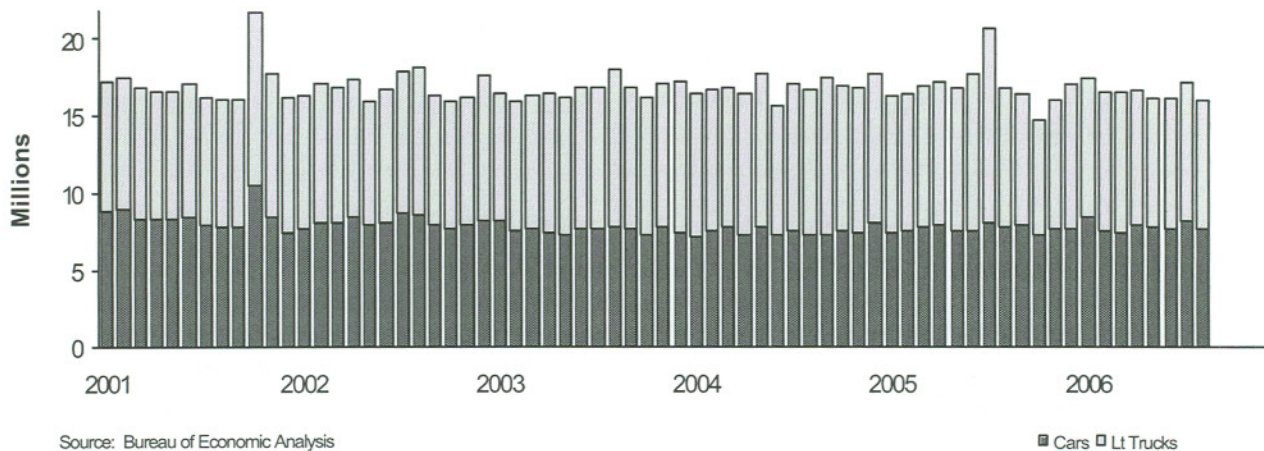
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In August, the **Michigan jobless rate** increased 0.1 percentage points to 7.1 percent. Compared to a year ago, Michigan's jobless rate was 0.4 percentage points higher. From a month ago, the labor force decreased by 9,000 to 5,086,000, while the number of people employed decreased by 13,000 to 4,726,000. In August, there were 360,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.7 percent may be a better measure of actual conditions.

Detroit retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.9 percent from June to August, up from a 0.2 percent decrease from April to June. The all-items less food and energy index increased 0.8 percent from June to August. The food index increased 0.7 percent from June to August while the energy index increased 1.7 percent. Compared to August 2005, the all-items index increased 3.3 percent. For individual component items, the increases from one year ago were: food and beverages, 1.6 percent; housing, 3.9 percent; transportation, 5.9 percent; medical care, 4.7 percent; education and communication 3.0 percent; other goods and services, 2.5 percent; the unadjusted decreases were: apparel, 4.8 percent.

Motor Vehicle Sector

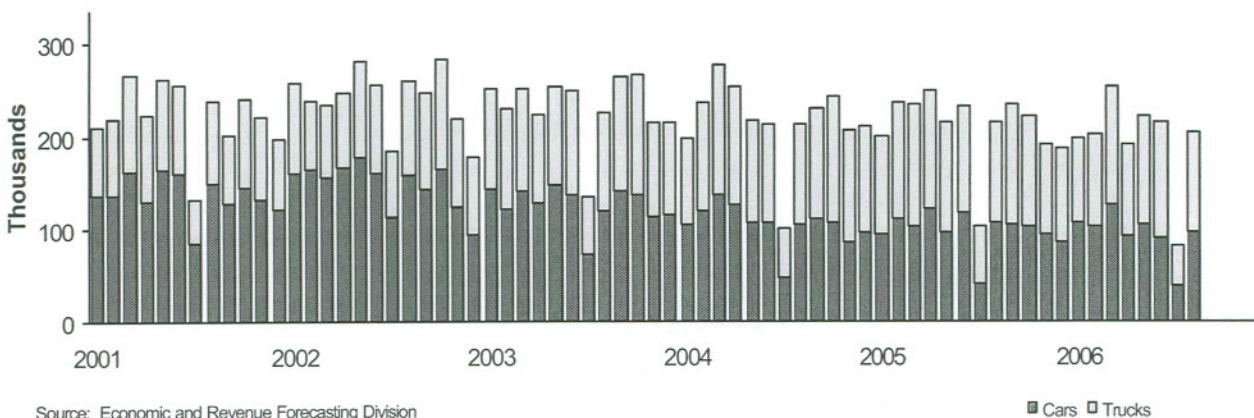
U. S. Light Vehicle Sales



U. S. light vehicle sales (cars + light trucks) decreased 1.1 million units in August compared to last month, selling at a 16.0 million unit seasonally adjusted annual rate. Domestic car sales decreased 4.6 percent while domestic light truck sales increased 6.2 percent. Import car sales decreased 9.9 percent while import light truck sales decreased 10.4 percent. Compared to last year, light vehicle sales decreased 4.8 percent. Domestic car sales were down 4.7 percent while domestic light truck sales decreased 9.2 percent. Import car sales were up 9.3 percent while import truck sales fell 2.2 percent from last year. As a result, the domestic share decreased 2.2 percentage points from a year ago. For fiscal year 2006 year-to-date, domestic light vehicles have recorded a 78.4 percent share of a 16.4 million-unit market.

Michigan motor vehicle production increased to 204,218 units in August. From a year ago, motor vehicle production decreased 4 percent in Michigan and fell 10 percent nationally. In August, Michigan's car production was 97,406 units while the state's truck production was 106,812 units. Compared with a year ago, car production decreased 10 percent in Michigan and remained unchanged nationwide. The state's truck production increased 1 percent while national truck production fell 15 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 17, 2006 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2003-2004 Actual	Fiscal Year 2004-2005 Actual	Fiscal Year 2005-2006 Estimate
Applicable Calendar Year Personal Income Section 26 Base Ratio Revenue Limit	\$303,745 9.49% \$28,825.4	\$314,460 9.49% \$29,842.3	\$324,134 9.49% \$30,760.3
Revenue Limit State Revenue Subject to Limit	\$28,825.4 \$24,384.7	\$29,842.3 \$25,626.8	\$30,760.3 \$26,211.0
Amount Under (Over) Limit	\$4,440.7	\$4,215.5	\$4,549.3

Sources:

Personal Income Estimate

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

Revenue Subject to the Limit

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2005.

The FY 2005-06 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury